

ORIGINAL

***Annual Review
Of
Base Rates for Fuel Costs
Of
Duke Power Company***

Docket No. 98-003-E

***HEARING DATE
May 14, 1998***

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**S. C. PUBLIC SERVICE COMMISSION
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UTILITIES DEPARTMENT**

***Testimony of
Jacqueline R. Cherry
Accounting Department***

South Carolina Public Service Commission

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TESTIMONY OF JACQUELINE R. CHERRY

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FOR

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THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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DOCKET NO. 98-003-E

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IN RE: DUKE POWER COMPANY

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Q. WOULD YOU PLEASE STATE FOR THE RECORD, YOUR NAME,

10

ADDRESS AND OCCUPATION?

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A. My name is Jacqueline R. Cherry. My business address is 111 Doctors

12

Circle, Columbia, South Carolina. I am employed by the Public Service

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Commission of South Carolina, Accounting Department, as a fiscal

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analyst/utilities accountant.

15

Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL

16

BACKGROUND AND YOUR BUSINESS EXPERIENCE?

17

A. I received a B.S. Degree in Business Administration with a major in

18

Accounting from Johnson C. Smith University in 1976. I was employed

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by this Commission in February 1979, and have participated in cases

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involving gas, electric, telephone, water and wastewater utilities.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. The purpose of my testimony is to summarize the results of the
4 Accounting Staff's examination of Duke Power Company's Fuel
5 Adjustment Clause operation for the period **June 1997** through **May**
6 **1998**. The findings of the examination are contained in the Accounting
7 Department's section of the Commission Staff Report, prepared for this
8 proceeding.

9 **Q. WHAT WAS THE SCOPE OF THE EXAMINATION?**

10 A. The Accounting Staff traced the fuel information, as filed in the
11 Company's required monthly filing, to the Company's books and
12 records. The examination covered the period **April 1997** through
13 **March 1998**. The purpose of the examination was to determine if Duke
14 Power Company had computed and applied the monthly Fuel
15 Adjustment Clause in accordance with the approved clause. To
16 accomplish this, Staff examined the components surrounding the
17 operation of the clause.

18 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN**
19 **THE SCOPE OF THE EXAMINATION?**

20 A. The examination consisted of the following:

- 1 1. An Analysis of Account # 151 --- Fuel Stock
- 2 2. Sample of Receipts to the Fuel Stock Account -- Account #151
- 3 3. Verification of Charges to Nuclear Fuel Expense -- Account # 518
- 4 4. An Analysis of Purchased Power and Interchange
- 5 5. Verification of KWH Sales
- 6 6. A Comparison of Coal Costs
- 7 7. An Analysis of Spot Coal Purchasing Procedures
- 8 8. Recomputation of Fuel Cost Adjustment Factor and Verification of
- 9 Deferred Fuel Costs
- 10 9. Recomputation of True-up for (Over) Under-Recovered Fuel Costs

11 **Q. WITH REGARD TO THE TRUE-UP OF (OVER) UNDER-RECOVERED**
12 **FUEL COSTS, WOULD YOU PLEASE ELABORATE ON STAFF'S**
13 **COMPUTATION?**

14 A. Staff analyzed the cumulative under-recovery of fuel costs that the
15 Company had incurred for the period April 1997 through March 1998 of
16 \$1,956,794. Staff added the projected over-recovery for April 1998 of
17 \$3,072,130 and the projected over-recovery for May 1998 of \$713,757
18 to arrive at a cumulative over-recovery of \$1,829,093. The Company's
19 cumulative under-recovery as of March 1998 and the Company's
20 cumulative over-recovery as of May 1998 differs from Staff's. Staff's

1 Purchased Power figures for June 1997 through September 1997 differs
2 from the Company's figures. Staff's figures, per Staff's report, reflect
3 calculation adjustments made to Purchased Power Costs for the
4 aforementioned months, based on Staff's review of Purchased Power
5 invoices and system operations reports. On a S.C. jurisdictional basis,
6 the difference between the Company's and the Staff's cumulative
7 under-recovery balances as of actual March 1998 is \$117,206, and the
8 difference between the Company's and the Staff's cumulative over-
9 recovery balances as of estimated May 1998 is \$117,093 (on a rounded
10 basis, the cumulative difference is \$117,000). Staff's Exhibit G, S.C.
11 Retail Comparison of Fuel Revenues and Expenses, which consists of
12 two pages, provides details of Staff's cumulative over-recovery balance.
13 As stated in Duke Power Company's Adjustment for Fuel Costs, fuel
14 costs will be included in base rates to the extent determined reasonable
15 by the Commission. Accordingly, the Commission should consider the
16 over-recovery of \$1,829,093 along with the anticipated fuel costs for the
17 period June 1, 1998 to May 31, 1999 for the purpose of determining the
18 base costs for fuel in base rates effective June 1, 1998. This
19 over-recovery figure of \$1,829,093 was furnished to the Commission's
20 Utilities Department.

1 **Q. MRS. CHERRY, WOULD YOU PLEASE DESCRIBE THE**

2 **REMAINING STAFF EXHIBITS?**

3 A. Staff prepared exhibits from Duke Power Company's books and records
4 reflecting fuel costs during the review period.

5 Specifically, these exhibits are as follows:

6 Exhibit A - Coal Cost Statistics

7 Exhibit B - Received Coal-Cost Per Ton Comparison

8 Exhibit C - Detail of Nuclear Cost

9 Exhibit D - Total Burned Cost (Fossil and Nuclear)

10 Exhibit E - Cost of Fuel

11 Exhibit F - Factor Computation

12 Exhibit G - S.C. Retail Comparison of Fuel Revenues and Expenses

13 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE ACCOUNTING**
14 **DEPARTMENT'S EXAMINATION?**

15 A. Based on the Accounting Staff's examination of Duke Power Company's
16 books and records, and the utilization of the fuel cost-recovery
17 mechanism as directed by the Commission, the Accounting Department
18 is of the opinion that the Company has complied with the directives (per
19 the Fuel Adjustment Clause) of the Commission.

20 **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

1 A. Yes, it does.

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